

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7054

BILL NUMBER: HB 2098

DATE PREPARED: Jan 15, 2001

BILL AMENDED:

SUBJECT: Property taxes on DNR acquired farmland.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires the Auditor of State to make a semiannual payment in lieu of property taxes (PILOT) for agricultural land purchased or leased by the Department of Natural Resources (DNR) after 2000. It allows the legislative body of a county and the board of directors of a conservancy district to collect a PILOT. For purposes of calculating a PILOT, the land is considered to have an assessed value the same as agricultural land. The bill makes an annual appropriation to make PILOTs from the State General Fund.

Effective Date: Upon passage; March 1, 2001 (retroactive).

Explanation of State Expenditures: This bill requires the Auditor of State to make PILOTs for agricultural land purchased or leased by the DNR after 2000. The DNR Division of State Parks and Reservoirs will be leasing approximately 6,140 acres of farmland on reservoir properties to farmers during 2001. The Division of Fish and Wildlife has 6,738 acres that are leased for agricultural purposes. The Division of Forestry leases approximately 200 acres, and the Division of Nature Preserves leases approximately 100 acres. Total acres equal approximately 13,178 acres.

The PILOT would first be due for property taxes payable after December 31, 2001, or for property tax year 2002. Because of a change in the definition of assessed value that will take effect with the 2001 payable 2002 tax year, assessed values will triple and tax rates will be reduced by two-thirds. These scheduled changes do not affect final tax bills in any way.

The base value for agricultural real property will be \$495 for property taxes paid in CY 2002. Applying the \$495 value per agricultural acre to the eligible 13,178 acres would result in a total assessed value (AV) of \$6,523,110.

For property tax year 2002, the estimated CY 2002 statewide average gross property tax rate is estimated at \$3.521 per \$100 AV. Using the average tax rate, **the state's liability is estimated at \$229,678** (\$6,523,110 AV divided by \$100 and multiplied by \$3.521). State fiscal year impacts are estimated at \$114,839 in FY 2002 (or ½ of the first calendar year).

The base value for agricultural real property is proposed at \$1,050 for property taxes paid in CY 2003. Applying the \$1,050 value per agricultural acre to the eligible 13,178 acres would result in a total assessed value (AV) of \$13,836,900.

For property tax year 2003, the estimated CY 2003 statewide average gross property tax rate is estimated at \$2.0219 - \$3.5889 per \$100 AV. Using the average tax rate, **the state's liability is estimated at \$279,768 - \$496,592** (\$13,836,900 AV divided by \$100 and multiplied by \$2.0219 - \$3.5889). State fiscal year impacts are estimated at \$254,723 - \$363,135 in FY 2003 (or ½ of the first calendar year, or \$114,839 plus ½ the second year, or \$139,884 - \$248,296) and \$279,768 - \$496,592 for FY 2004. The actual state expenditure will depend on the actual tax rates in the taxing districts where the DNR land is located. Expenditures would also increase if additional land is purchased or leased by the DNR.

The bill does not require local units to reduce their property tax levies. However, if the units choose to reduce their levies then state expenditures for property tax replacement (PTRC) would be reduced because the state would no longer be paying property tax replacement on the portion of the levy reduced by the PILOTS.

The State Board of Tax Commissioners and the Auditor of State will experience additional administrative expenses. However, expenses of administering the account are to be paid from money in the PILOT Transfer Account, which is established in this bill.

The bill annually appropriates from the State General Fund to the PILOT Transfer Account the amount necessary to make the required PILOT distribution.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Counties and conservancy districts may be eligible to collect PILOTS. Local units would be able to use the money for any general purpose that property taxes are used. They are not required to apply the revenue to property tax levy reduction. The actual PILOT will depend on the actual tax rates in the taxing districts where the land is located.

State Agencies Affected: Auditor of State and the DNR..

Local Agencies Affected: Counties and conservancy districts containing property owned or leased by the DNR after 2000.

Information Sources: Andy Cullen, Executive Assistant, Office of the Director, DNR (317) 233-6398; State Tax Board, Local Government Database.